

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK PRIORITY

C O N F I D E N T I A L STATE 095401

E.O. 11652: GDS

TAGS: EAID, TH

SUBJECT: BILATERAL AID AGREEMENT WITH THAILAND

REFS: A. BANGKOK 3917

B. BANGKOK 5440

1. WE AGREE THAT, EVEN THOUGH IT IS NOT CLEAR WHAT RTG HAS IN MIND, WE SHOULD BE PREPARED TO DEAL WITH A FORMAL RTG APPROACH ON OUR 1950 ECONOMIC AND TECHNICAL COOPERATION AGREEMENT WITH THAILAND WHICH WE MAY RECEIVE IN THE NEAR FUTURE.

2. AS DEPUTY SECRETARY RUSH INDICATED TO FOREIGN MINISTER
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CHARUNPHAN, WE WOULD OF COURSE BE WILLING TO WORK WITH RTG

IN REVIEWING 1950 AGREEMENT (PARA 9 REF A). WE WOULD HOPE, HOWEVER, THAT ANY FORMAL JOINT REVIEW AND PARTICULARLY ANY FORMAL RTG PROPOSAL TO REVISE OR TO NEGOTIATE NEW AGREEMENT COULD BE HELD OFF UNTIL SUCH TIME AS WE CAN INFORMALLY ASCERTAIN MORE FULLY WHAT RTG HAS IN MIND AND CAN DETERMINE WHETHER RTG DESIRES CAN BE MET BY OTHER MEANS OR, IF NOT, WHETHER WE COULD RESPOND IN FORTHCOMING MANNER TO RTG REQUEST FOR NEW AGREEMENT OR AMENDMENT TO EXISTING AGREEMENT.

3. EMBASSY SHOULD OBTAIN WASHINGTON AUTHORIZATION BEFORE ENTERING INTO ANY FORMAL REVIEW OF 1950 AGREEMENT WITH RTG

AND BEFORE MAKING ANY COMMITMENT IN PRINCIPLE EITHER TO REVISE EXISTING AGREEMENT OR TO NEGOTIATE NEW AGREEMENT.

4. IF THAI PRESS SERIOUSLY FOR ANY CHANGE IN 1950 AGREEMENT, WE WOULD HOPE THAT CHANGES COULD TAKE FORM OF AMENDMENT TO EXISTING AGREEMENT ACCOMPLISHED THROUGH EXCHANGE OF NOTES. NEGOTIATION OF COMPLETELY NEW AGREEMENT WOULD REQUIRE STRONGEST JUSTIFICATION AND WOULD IN ALL PROBABILITY BE MUCH MORE PROTRACTED AND COMPLICATED PROCESS, AND, DEPENDING ON WHAT THAI WANTED, MIGHT INVOLVE CONGRESSIONAL CONSULTATION.

5. REF B REPORTS THAT CHARUNPHAN TOLD PRESS ON MARCH 28 THAT MOST OF THE PROBLEMS THAILAND FACES WITH RESPECT TO 1950 AGREEMENT CONCERN FINANCIAL BURDEN RTG HAS TO SHOULDER REGARDING COUNTERPART FUNDS; I.E., IN PROVIDING BAHT TO USOM FOR LOCAL SUPPORT COSTS FOR U.S. AND THAI STAFFS OF USOM. IN THIS REGARD, WE NOTE THAT USOM BUDGET SUPPORT REQUIREMENTS BORNE BY RTG ARE DECLINING SUBSTANTIALLY AS REPORTED REF B AND WE BELIEVE THAT EMBASSY SHOULD STRESS THIS IN ANY DISCUSSIONS WITH RTG RE BILATERAL. WE ARE CAREFULLY CONSIDERING WHAT CHANGES MIGHT BE POSSIBLE IN THE THAI COUNTERPART PROVISIONS. SEPTTEL FOLLOWS OUTLINING OUR CURRENT THINKING.

6. WHILE WE AGREE IN PRINCIPLE WITH NEW APPROACHES TO OUR ECONOMIC RELATIONSHIP WITH THAILAND OF THE TYPE
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SUGGESTED IN EMBASSY'S BRIEFING PAPER FOR DEPUTY SECRETARY RUSH ON ECONOMIC ASSISTANCE DATED MARCH 5, 1974, IT PRESENTLY APPEARS INADVISABLE TO CONSIDER MAKING CHANGES OF MAJOR SUBSTANCE IN A REVISION OF 1950 AGREEMENT, PARTICULARLY IN VIEW OF PREVAILING NEGATIVE CONGRESSIONAL ATTITUDES TOWARDS ECONOMIC AID PROGRAMS IN GENERAL AND ESPECIALLY TOWARDS ANY NEW AGREEMENT THAT MIGHT BE CONSTRUED AS NEW COMMITMENT TO CONTINUE AID FOR

THE INDEFINITE FUTURE. PLEASE ALSO NOTE THAT OUR AID BILATERALS HAVE NOT BEEN CONSIDERED AN APPROPRIATE PLACE IN WHICH TO ADDRESS THOSE AREAS OF OUR BILATERAL ECONOMIC RELATIONS, SUCH AS TRADE EXPANSION, WHICH DO NOT DIRECTLY PERTAIN TO OUR ECONOMIC ASSISTANCE PROGRAM. WE ARE OF COURSE AWARE OF THE RTG DESIRE TO PLACE GREATER EMPHASIS ON ECONOMIC AND TECHNICAL COOPERATION ASPECTS OF OUR RELATIONSHIP AND ARE PREPARED TO CONSIDER MEANS OF DOING SO. IN THIS CONNECTION, WE WOULD APPRECIATE RECEIVING FURTHER EMBASSY INFORMATION AND RECOMMENDATIONS RE ESTABLISHMENT OF JOINT ECONOMIC COMMISSION REFERRED TO IN MARCH 5 EMBASSY BRIEFING PAPER.

7. THE EMBASSY IS REQUESTED TO KEEP WASHINGTON INFORMED OF ANY FURTHER INDICATIONS OF NATURE OF RTG OBJECTIONS TO 1950 AGREEMENT AND OF WHAT RTG HAS IN MIND WITH RESPECT TO REVISION OR NEGOTIATION OF COMPLETELY NEW AGREEMENT. PLEASE ASSESS IN PARTICULAR WHETHER OUR ENTERING INTO FORMAL REVIEW OF 1950 AGREEMENT, AND HENCE CONSIDERATION OF RTG REQUESTS FOR MODIFICATIONS, WOULD RISK STIMULATING RTG REQUESTS TO WHICH WE COULD NOT BE RESPONSIVE OR WHICH IT WOULD NOT BE IN OUR INTEREST TO ACCEPT.

8. IF THE EMBASSY CONSIDERS IT USEFUL, YOU COULD POINT OUT TO RTG THAT OUR 1950 AGREEMENT WITH THAILAND IS GENERALLY ON A PAR WITH OUR AID AGREEMENTS WITH OTHER COUNTRIES, MANY OF WHICH WERE ALSO CONCLUDED IN THE EARLY 1950'S. EMBASSY COULD NOTE THAT, DESPITE VARIOUS CHANGES IN GOVERNMENT AND CHANGES IN THE NATURE OF THEIR RELATIONSHIPS WITH U.S. OVER THE PAST 20 YEARS, OTHER COUNTRIES HAVE GENERALLY BEEN SATISFIED TO KEEP ORIGINAL BILATERAL AID AGREEMENTS IN EFFECT AND TO MAKE ANY

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DESIRED ADJUSTMENTS IN THEIR ECONOMIC AID RELATIONSHIPS WITH U.S. THROUGH OTHER MEANS. THE ONLY NEW BILATERAL AID AGREEMENTS WE HAVE CONCLUDED IN RECENT YEARS HAVE BEEN WITH KHMER REPUBLIC (1971), TANZANIA 968), AND UGANDA (1971). IN THE CASE OF CAMBODIA THE PREVIOUS BILATERAL WAS REGARDED AS HAVING BEEN TERMINATED SO THAT A NEW ONE WAS NECESSARY; IN THE CASE OF UGANDA THE PRIOR BILATERAL WITH THE UK HAD BEEN DENOUNCED SOME TIME PREVIOUSLY, AND IN THE CASE OF TANZANIA NEW AGREEMENT REPLACED PRIOR BILATERAL WITH UK. EMBASSY MIGHT NOTE IN PARTICULAR THAT, EXCEPT FOR 1971 AGREEMENT WITH KHMER REPUBLIC, ALL OUR AID AGREEMENTS WITH COUNTRIES IN EA AREA HAVE REMAINED IN FORCE SINCE 1950'S INCLUDING OUR AGREEMENTS WITH THE PHILIPPINES, LAOS, INDONESIA AND ROK (UPDATED IN 1961). IN ADDITION, EXCEPT FOR

AMENDMENTS TO THE BURMA, GVN AND ROC AGREEMENTS IN 1960, 1962 AND 1965 RESPECTIVELY, NONE OF THE EAST ASIAN AGREEMENTS HAVE BEEN AMENDED SINCE THE EARLY TO MID-1950'S. THUS, THERE HAVE BEEN ALMOST NO CHANGES IN THESE AGREEMENTS IN THE PAST 10 YEARS. ALL THIS IS NOT TO SUGGEST THAT WE WISH TO RULE OUT RTG INITIATIVE, BUT TO POINT OUT THAT MOST COUNTRIES HAVE NOT FOUND SUCH BILATERALS BURDENSOME.

9. IN MOST AGREEMENTS WE HAVE CONCLUDED WITH OTHER COUNTRIES IN RECENT YEARS (FOR EXAMPLE, TANZANIA) AS WELL AS IN SUBSTANTIALLY ALL THOSE FROM EARLY 1960'S AND MANY OF THOSE FROM 1950'S, WE HAVE SPELLED OUT CERTAIN OTHER PROVISIONS, NOTABLY CERTAIN FREEDOMS FROM TAXES OR DUTIES ON PROJECT COMMODITIES, CONTRACTORS AND THEIR PERSONNEL, THAT ARE NOT COVERED IN RTG BILATERAL. WHILE SUCH COVERAGE

MAY BE IN EFFECT IN THAILAND UNDER LOWER LEVEL AGREEMENTS, YOU SHOULD BE AWARE THAT IN CONTEXT OF NEW BILATERAL WE MIGHT WISH TO CLARIFY THE TAX AND DUTY MATTER AT THAT LEVEL. (BECAUSE OF NEED TO ADOPT LOW PROFILE IN WHICH PROJECTS NOT CONTEMPLATED, SUCH PROVISIONS WERE NOT IN KHMER BILATERAL
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